



CULMEN
INTERNATIONAL

Vessels Sales and Shipyards

**HOW NORTH ACQUIRES SHIPS IN
BREACH OF RESOLUTIONS**

VIOLATIONS OF INTERNATIONAL LAW



When it comes to brokering or transferring vessels to North Korean interests albeit via auctions or sales via third parties or companies, these transfers are serious breaches of international law and present real risks to companies trading internationally or have international partners.

North Korea acquiring new or second-hand vessels is a serious violation of international sanctions banning such transfers since 2017, where the UN Security Council banned the "direct or indirect" sale or transfer of any new or used vessels to North Korea without its prior approval.

Illegal acquisitions or "vessel laundering" as reported by the UN Panel of Experts (PoE) monitoring North Korea is part of a pattern that started with the Belize-flagged Xin Sheng Hai going into a shipyard and emerging as the Togo-flagged ship Talent Ace with a new, fake IMO number, and a completely new set of documents.

The Xin Sheng Hai was identified illegally transporting North Korean coal. Such vessel identity laundering operations have gained impetus over the last few years with fraudulent ship registration operations involved at least 11 ships, seriously undermining the integrity of the IMO database and its efforts to monitor legitimate vessel ownership worldwide.



EFFECTIVE DUE DILIGENCE REDUCES RISK

LOOKING INTO VESSEL HISTORY AND BEHAVIOUR

Companies interested in purchasing or selling vessels need to exercise heightened vigilance and practice due diligence on the history and past behaviour of vessels.

A recent example of an attempt to do ship laundering of a problematic vessel, is that of the vessel Petrel 8, a vessel recently designated by the United Nations, began intermittently transmitting its identity of the similarly sized cargo vessel Dong Hong Hang 1, that ceased using its legitimate AIS identity in October 2018.

The Petrel 8 is one of about 60 vessels designated between 2016 and 2018 for violating the North Korean sanctions regime that bans the transport or transfer to another vessel of coal, petroleum or weapons – always check if a vessel is designated against the UN list.

The Petrel 8, fraudulently using the Dong Hong Hang 1 identity transmitted its AIS while berthed at shipyard on 3 July 2017, as confirmed by satellite imagery – effectively swapping its identity with the real Dong Hong Hang 1 currently sailing under the name Hong Tai 218 with no IMO number. This type of elaborate identity manipulation is designed to mislead due diligence practices to allow new owners to purchase a sanctioned vessel, - disguising it as another similarly-type and size vessel so that no one would detect the swap.

SHIPYARDS PLACING OWNERS AND OPERATORS AT RISK

While these illegal transfers of formerly China-flagged vessels start with unscrupulous vessel brokers and North Korean affiliated front companies posing as buyers, shipyards, such as the one involved with the vessel New Konk in 2021, are suspected of being complicit in their role in providing a 'clean' ship for their customer.

Such vessels and their companies found circumventing UN sanctions imposed on these activities and recommended by the UN Panel will also be blacklisted, sanctioned, or designated, meaning they are subjected to port bans and seizure (an asset freeze), such as in the cases of the Talent Ace by Republic of Korea, the Wise Honest by Indonesia in 2018, and the Singapore-owned Courageous in 2021 by Cambodia.

Wherever such vessels are found and identified in ports around the world, they are at risk of detention or seizure.



CULMEN CAN HELP

If you have questions regarding DPRK sanctions evasion, Culmen International can help. Contact us if you have questions regarding improving due diligence and compliance procedures.

Prepared by Culmen International

